

PROGRAM TO STRENGTHEN THE PROVINCES IN THE NORTHEAST REGION

(DR-0072)

EXECUTIVE SUMMARY

BORROWER: Government of the Dominican Republic

EXECUTING AGENCY: Technical Secretariat of the Presidency (STP), through the Provincial Development Councils and the Provincial Planning Offices.

AMOUNT AND SOURCE:

IDB: OC/FFI	US\$ 8,960,000
Local funding:	US\$ 1,040,000
Total:	US\$10,000,000

FINANCIAL TERMS AND CONDITIONS:

Repayment period:	25 years
Disbursement period:	2.5 years
Interest rate:	variable
Inspection and surveillance:	1%
Credit commission:	0.75%
Currency:	dollars (single currency facility)

OBJECTIVES:

The objective of the program is to lend support to the government in the functional definition and performance of the Provincial Development Councils (CDPs) and the Provincial Planning Offices (OPPs) in the development of the five northeast provinces, within the framework of the decentralization policy. The program specifically seeks to: (i) test a model for provincial planning that will ensure effective coordination among the different social and political stakeholders in the process of building consensus and setting priorities for the CDPs; (ii) strengthen OPP capacity to provide technical assistance for the identification, execution, operation, and monitoring of priority projects; and (iii) finance basic services to improve access and use for economically disadvantaged citizens.

DESCRIPTION:

Based on the lessons from the provincial development project in Salcedo Province, the program is designed to cover the five northeast provinces and their 32 municipalities and will be financed in three interrelated components. The first component will support the introduction of participatory planning exercises at the provincial level. The second component will finance provincial level social and economic infrastructure projects identified through the planning exercises. The third component will strengthen provincial agencies, including the Provincial Offices for Women's Affairs (OPMs), in order to improve their managerial and development promotion capacity.

First Component: Planning exercises (US\$380,000). This component will support the development of the planning methodology to be used in each of the five provinces. It will involve communities,

nongovernmental organizations, municipal governments, and other sectors in identifying priority needs and drawing up a provincial investment plan.

Second Component, Investment in social and economic infrastructure (US\$6,385,000). This component will finance the biannual investment plans that emerge from the planning processes in each of the five provinces. Resource allocations for each province will be determined on the basis of the poverty map, which will be used as a tool by the Dominican government to orient and allocate investment resources.

Third Component, Institutional Strengthening (US\$1,512,000). This component will (i) strengthen the OPPs through specialized consultancies, a cost system, computer equipment, office furnishings, vehicles, and the design and establishment of an evaluation and monitoring system; and (ii) support the OPM of Salcedo Province with specialized technical consultancies in credit program management, and the purchase of computer equipment and office furnishings. It will also finance the replication of the services provided by this office in the other four provinces participating in the program.

Fourth component. Program administration (US\$751,000). In order to ensure program execution: (i) financing will be provided to hire key personnel for the Program Coordinating Unit (PCU) and purchase computer equipment, office furnishings, and vehicles; and (ii) consulting services will be provided for supervision and program impact assessment.

Other activities. (US\$270,000) The program will also finance the use of project financing and evaluation systems currently used by ProComunidad and approved by the Bank and the program's external audits.

The remaining balance from ATN SF-5686-DR will be used to move ahead with preliminary activities to launch the program and to help meet the conditions precedent. These activities will include: (i) hiring the PCU coordinator and accountant; (ii) providing for the initial training given by ProComunidad; and (iii) hiring a consultant to assist the PCU in drafting a program operations manual.

**ROLE OF THE
PROJECT IN THE
BANK STRATEGY FOR
THE COUNTRY AND
PROVINCE:**

The Bank's strategy for the Dominican Republic is to support poverty reduction through operations that seek to achieve long-term economic growth. The Bank recognizes that economic growth can be achieved only if the country improves its competitive position within a viable social context. In addition to integrated fiscal management and incentives for private enterprise, the Bank places priority on the reduction of poverty through operations that support increases in social spending and strengthen social participation in the management of public sector institutions.

**REVIEW OF
ENVIRONMENTAL AND**

The ProComunidad environmental control system, which has been approved by the Bank, will be used. The

SOCIAL ISSUES: program will promote the incorporation of women into the political, social, and economic life of the provinces in an effort to improve their living conditions (paragraph 4.6).

BENEFITS: In addition to increasing access and use of the social and economic infrastructure among the poorest sectors of the population, the program will provide the following specific benefits: (i) a mechanism for ex-ante allocation of resources to the provinces based on the poverty map; (ii) greater opportunity for the participation of groups previously excluded from the decision process; (iii) a selection methodology that gives priority to works with clear counterpart commitments and preventive maintenance plans; (iv) increased capacity to provide technical services in a decentralized manner; and (v) stronger Provincial Offices for Women's Affairs better able to promote active women's participation in provincial development.

RISKS: The main risk pertains to the rapidly changing social and political environment. Project management will have to be flexible and skillful in order to seize opportunities as they arise during the program. Finally, if the municipal governments are able to increase the transfers they receive from the central government, but the provincial agencies are not able to provide the necessary technical assistance, the municipalities may lose interest in provincial-level cooperation and inter-municipal activities.

**SPECIAL
CONTRACTUAL
CLAUSES:**

Conditions precedent to the first disbursement:

- (i) Bank approval of the program operations manual (paragraph 3.8);
- (ii) Hire of the PCU Coordinator accountant (paragraph 3.3);
- (iii) Presentation of the signed technical assistance contract between ProComunidad and the STP (paragraph 2.18).

Conditions Precedent to Disbursements for the First and Second Components:

- (i) Conclusion and signature of subsidiary agreements for the participation of each province in the program (paragraph 3.1);
- (ii) Hire of program coordinators and accountants for each of the OPPs (paragraph 3.6).

Other Contractual Conditions:

The contract will also include requirements concerning contract execution, monitoring, and evaluation (paragraphs 3.25, 3.26, and 3.28) and audited financial statements (paragraph 3.23).

**TARGETING POVERTY
AND SOCIAL SECTOR
CLASSIFICATION:**

The program is classified as a poverty-targeted investment (PTI) by virtue of its geographic classification, given that investments will be made in poor provinces. The investments will be allocated in each province on the basis of the report published by the National Planning Office in November 1997 and

titled *Focalización de la Pobreza en la República Dominicana* [Targeting Poverty in the Dominican Republic] (paragraphs 1.15 and 2.8).

**EXCEPTIONS TO
BANK POLICY:**

See Procurement.

PROCUREMENT:

Bank procedures will be applied and will form part of the loan contract. The procedure for international public bidding will be required for procurement in amounts exceeding US\$200,000 for consulting services, US\$350,000 for goods and services, and US\$1 million for construction works.

The Bank will monitor the procurement of goods, works, and consulting services financed by the operation through ex-post inspection of a random sampling of at least 10% of the projects (paragraph 3.21).

It is proposed that ProComunidad be hired directly for the PCU and OPP training work (paragraph 3.16).